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TO: Participating Schools and Lenders

FROM: Diane Todd Sprague, Director

DATE: November 16, 2005

SUBJECT: Educational Loan Notes

FEATURED FINANCIAL AID PROFESSIONAL

Eighteen years ago at the University of South Carolina a student named J. Douglas Gilbertson went to talk to an advisor to get help with his financial aid. He spoke with the financial aid director who was impressed with Douglas' personable demeanor. She suggested that he consider becoming a "peer counselor." Peer counselors were the first line of defense for the financial aid office. Working his way through college, Douglas thought peer counseling should be an easy job. Little did he know that he would stay in the financial aid arena throughout his undergraduate and graduate studies.



Douglas Gilbertson

Douglas' goal was to become a history teacher, but after finding out how "little" teachers were paid, he decided to stay in financial aid. He was hired at the University of South Carolina at Aiken as a financial aid coordinator working with the Pell Grant and Work Study programs. The financial aid arena slowly engulfed Douglas. He later relocated to the New York City area where his wife, Laura, wanted to pursue her career as an operatic singer after completion of her Doctoral work in music. Douglas worked in the financial aid office at Benjamin N. Cardozo School of Law in Greenwich Village. The law school is a part of Yeshiva University.

After their daughter, Madison, was born in 2001, Douglas switched to Mercy College as Associate Director of Loans. He was instrumental in helping Mercy transition from the Federal Direct Loan Program to the Federal Family Education Loan Program.

Family is very important to Douglas and Laura. Born and raised in Ann Arbor, Douglas wanted to be closer to family after the birth of his second child, James Parker, so he accepted the position of Financial Aid Director at Olivet College in 2002. He believes the

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field of financial aid is rewarding because it allows you to help people arrive at a financial solution that they did not realize was possible. He remembers his college years, how important financial aid was to him to achieve his goals, which is why he enjoys the work he does.

“There are challenges in everything we do. In financial aid,” Douglas said, “the biggest problems facing schools today are staffing and budgetary constraints. In spite of these challenges, receiving a ‘thank you’ card from a student you have helped reminds you of how you have touched another person’s life. Helping students today requires more than knowledge; it also involves being sensitive and understanding of life’s sometimes complex issues.”

Simplifying the maze for students and parents is Douglas’ way of giving back to others what he received from another financial aid director in South Carolina. We never know how the “circle of life” is touched by what we do today.

With costs skyrocketing, Douglas thinks it would be helpful to increase loan limits for students. This would especially be helpful for students attending private colleges and universities. Douglas would like to see some of the federal regulations tailored to the size of the school. “One size does not always fit everyone,” said Douglas. “The U.S. Department of Education needs to be more flexible in certain areas.”

One of Douglas’ high points was serving on the Michigan Student Financial Aid Association (MSFAA) Board. He loved building bridges and a rapport with his colleagues. He believes that building relationships with his peers, which goes beyond the exchange made at a conference, has been an invaluable experience. He believes the best information can be obtained from financial aid colleagues. Douglas has maintained contact with his colleagues in South Carolina and New York.

Douglas is pleased with his position at Olivet and says that their office is effective, responsive, and sensitive because of the team that works with him. Olivet has a fall and spring Community Service Day that involves the president, faculty, and students participating in a special project on campus or in the community. Douglas said that the things they are able to

accomplish as a team are awesome, and he admires Olivet’s commitment to community service.

Douglas’ favorite colors are maize and blue. He is not sure that he will ever reach the classical definition of “retirement,” but he hopes to enjoy his family, friends, and church family to a ripe old age.

WEB SITE REDESIGN – BUILT AROUND YOU

The Michigan Guaranty Agency (MGA) is in the process of redesigning its Web site, and our goal is to provide resources and content that is focused on your needs. Our role as a guarantor is to provide a partnership that assists schools and lenders to process aid for student borrowers. Student financial aid is a complex, dynamic program, and we want to be able to keep you informed of the latest industry trends and developments, along with any regulatory changes. We are expanding our resources in default aversion, debt management and financial literacy, and student retention. Of course we will continue to offer information on financial aid, repayment charts, and interest and special allowance rates.

We understand that during the course of a normal workday in your office you have limited time to view Web material. That is why we would appreciate your feedback as to what you feel would be most beneficial in redesigning the MGA Web site to meet your needs. Perhaps you could respond to us with just one or two features or resources you would like to see on our new site. We will take all the feedback we receive to build a Web site that provides you with the information that you find valuable.

You may respond by sending an email to pertersonj@michigan.gov or pass on your preferences to any School Services Representative. We appreciate your involvement and look forward to providing you an even greater Web resource in the near future.



PASSWORDS FOR MYF FINANCIAL AID OFFICE ACCESS AREA

With the implementation of Online Student Loan Counseling (OSLC) version 3.2 on February 1, 2005, Mapping Your Future (MYF) instituted a 180-day password expiration policy for the Financial Aid Office (FAO) Access Area password. The implementation of OSLC version 3.5 on May 1, 2005, instituted the policy that each individual staff member must have his or her own user name and password to access the school's OSLC account. Many OSLC users now are required to reset their FAO Access Area passwords after 180 days from originally requesting the password. MYF staff cannot view passwords, so it is important for OSLC users to use the "Forgot Your Password" link in the login box to reset the password.

You may reset your password at any time by accessing the Financial Aid Professionals page at <http://mapping-your-future.org/services/fao.cfm>, scrolling down to the Login Box, and clicking on the "Forgot Your Password" link. You will need to enter your user name and the answer to your security question. You will then be able to reset your password. You also have the opportunity to reset your security question and answer.

The password criteria are:

- Minimum of seven characters; maximum of ten
- Cannot be school's OPE-ID
- Must contain at least one numeric digit
- Cannot be your last name
- Cannot be your first name
- Cannot be the name of the school
- Can include (but is not required) a special character (e.g., @)
- Is case-sensitive

If you have access to the school's FAO Access Area, MYF reminds you not to share your login information with other staff members. Staff members that should have access to the FAO Access Area but have not yet applied can complete the additional user request form at <http://mapping-your-future.org/faoUserRequests/actUser.cfm>.

If you have questions about accessing your FAO Access Area, contact Beth Ziehmer at feedback@mapping-your-future.org or by telephone at (573) 796-3730. For any general questions about MYF, please contact Flora Boles at 1-800-642-5626, extension 52882, or via email at bolesf@michigan.gov.

WHIZKID 10.0

Several months ago, MGA's servicer announced its participation in an industry-wide Beta test using the WhizKid product. The purpose of this test was to help the student loan marketplace finalize the CommonRecord: CommonLine implementation guide and file specification. Key to this effort was ensuring CommonRecord: CommonLine implementations were uniform throughout the industry.

The Beta testing was completed at the end of September; however, the National Council of Higher Education Loan Programs (NCHELP) identified several issues and inconsistencies that require further documentation changes. After NCHELP publishes the newest CommonRecord: CommonLine implementation guide, our servicer will incorporate the necessary changes to WhizKid 10.0. Anticipated shipment of the new WhizKid version is scheduled to occur in early December 2005. This means that when you receive the latest WhizKid edition, you will have the most up-to-date CommonRecord information possible! Of course, WhizKid 10.0 will continue to support the current CommonLine 4 and CommonLine 5 industry formats.

If you have any general questions concerning WhizKid, please contact Flora Boles at extension 52282 or via email at bolesf@michigan.gov. For specific questions concerning CommonRecord: CommonLine or WhizKid in general, please contact Electronic Services at 1-800-348-4606.



CLARIFICATION ON 12 CONSECUTIVE MONTH RULE FOR PREPARATORY COURSEWORK

In response to member questions, the National Association of Student Financial Aid Administrators (NASFAA) recently obtained additional clarification from the U.S. Department of Education (ED) on the issue of Stafford loan borrowing by students who have not been admitted to an eligible program, but who are taking preparatory coursework for the purpose of admission.

Section 668.32(a)(1)(ii) of the General Provisions regulations grants an exception to the requirement that a federal student aid recipient be a regular student. Under this exception, a student may be eligible for loans from the Federal Family Education Loan Program (FFELP) or Federal Direct Loan Program (FDLP) for courses that are necessary for the student to enroll in a program leading to a degree or certificate. The student must be enrolled at least half time in courses that are part of an eligible program otherwise offered by the institution.

Receipt of aid under this provision is limited to one 12-month period. The 12-month period is consecutive and begins on the first day of the loan period for which the student is enrolled. It is this last point – the 12 consecutive month period – that seems to cause confusion.

Clarifying the 12 Consecutive Month Period

In conversations with NASFAA, ED has indicated that because the preparatory coursework exception is located in the student eligibility section of the regulations, it is student-specific rather than academic program-specific. This means that Stafford loan eligibility for the student is a one-time only deal for one 12 consecutive month period as long as the student has not been admitted to an eligible program and is taking preparatory coursework for the purpose of admission, regardless of the academic program level (e.g., associate's, baccalaureate, graduate) for which the preparatory coursework is taken. Put another way, the \$2,625 loan limit is a once-in-a-lifetime exception for students taking such preparatory coursework.

For example, a freshman student takes preparatory coursework necessary for admission

into an associate's degree program and receives a Stafford loan for a single 12 consecutive month period. Then after two years away from school, the same student wishes to receive another Stafford loan for preparatory coursework necessary for enrollment in a different baccalaureate-level program.

Because this student has previously borrowed under the preparatory coursework exception for the associate's degree program, the student is not eligible to borrow a Stafford loan a second time for preparatory coursework needed for the baccalaureate program. This is true even if this same student wanted to borrow a few years later for preparatory coursework necessary for enrollment in a graduate-level program. This is also true whether the student is taking preparatory coursework at your school or at another school. Note also that the student's eligibility to borrow under this provision lasts for a finite period of time – 12 months – and expires at the end of that time regardless of whether or not the student borrowed the full \$2,625 limit.

Tracking Student Borrowing under the Preparatory Coursework Provision

There currently is no mechanism in the National Student Loan Data System (NSLDS) indicating that a student has previously borrowed under the preparatory coursework provision. When asked how a school is expected to track student borrowing under this provision, ED indicated the following:

1. If a student already borrowed under this provision for another academic program at the same school, ED expects the school to know about that prior borrowing and to deny additional Stafford loan eligibility accordingly.
2. For students borrowing under the preparatory coursework provision for the first time at your school, ED has indicated that your school should have some kind of mechanism in place to prevent borrowing multiple times under this provision.

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If at the time the school certifies or originates a Stafford loan the student's NSLDS record indicates that he or she has not borrowed a Stafford loan at any time in the past, no additional follow up is necessary. The school may approve the student's Stafford loan eligibility accordingly. On the other hand, if either the school's records or NSLDS reflects a previously borrowed Stafford loan for an amount up to and including the \$2,625 preparatory coursework limit, additional follow up is necessary. Regardless of the loan's outstanding principal balance and even if the loan has been paid in full, the school will need to ascertain the conditions under which the previous Stafford loan was borrowed.

In regard to a specific tracking method ED remains flexible, indicating that the school may best determine how it will track and document student borrowing to ensure compliance with the preparatory coursework provision. Under one method, for example, the school might ask affected students and have them respond in writing (paper or electronic), whether or not they have ever previously received Stafford loan funds for preparatory coursework either at your school or at another school. Whatever the school's chosen method, it would need to document the student's file prior to approving additional Stafford loan funds for the student.

HIGH SCHOOL COUNSELOR VIDEO CONFERENCE

The 2005 High School Counselor Video Conference will take place on Friday, November 18. Twenty-three sites will host the broadcast benefiting approximately 900 Michigan school counselors. Presentations at this year's conference will include updates on federal and state student financial aid programs, Michigan Education Trust (MET) and Michigan Education Savings Plan (MESP) programs, fraudulent student financial aid activities, College Goal Sunday, and the introduction of a new publication called *Grab College Prep!* which was produced by the Office of Postsecondary Education, Michigan Department of Labor and Economic Growth. Additionally, counselors will hear about two newly revised publications being produced by MGA's Training and Development Section. They are: *The*

Michigan Postsecondary Handbook and *Paying for College*, formerly known as *The 5W's of Financial Aid*.

After the video conference, copies of the presenters' PowerPoint slides will be available on the Student Financial Services Bureau Web site at michigan.gov/mistudentaid. A limited number of videotapes of the entire video conference will also be available. Contact Peggy LaFleur at laflaurp@michigan.gov or extension 38319 to request a copy.

The Michigan Student Financial Aid Association and the Michigan Department of Treasury, Student Financial Services Bureau sponsor the video conference cooperatively.

LENDER LIST UPDATES

School personnel continuing to use their paper copy of MGA's "Participating Lender List" should record the following actions on the list dated April 28, 2005. Please make the appropriate changes in all sections of the list as needed.

To access the most up-to-date lender information and eliminate the need for manual updates, use the electronic version of MGA's "Participating Lender List" available at michigan.gov/mistudentaid. Click on "Financial Aid Administrators," and then on "[Participating Lender List](#)." If you have any questions regarding MGA's "Participating Lender List," please contact Pat Fromm at extension 36076 or via email at frommp@michigan.gov.

Newly Participating Lenders

Bony ELT for Collegiate Funding Services, 834059, c/o Suntech, 6510 Old Canton Road, Richland, MS 39157. Telephone: 800-489-5005.

Missouri Higher Education Loan Authority, 834023, 633 Spirit Drive, Chesterfield, MO 63005. Telephone: 800-666-4352.

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Referral Program

The following lenders have joined the LaSalle Bank referral loan program. The address for these lenders is c/o Nelnet, Inc., P.O. Box 82596, Lincoln, NE 68501-2596. Telephone number: 800-755-7858.

813133 COPOCO Credit Union
805923 First National Bank and Trust of Iron Mountain
828728 Iosco Community Credit Union

No Longer Participating

Community Choice Credit Union, 832255, is no longer participating in FFELP with MGA. Please delete this lender from all sections of the Participating Lender List.

SCHOOL LIST UPDATES

The following changes should be recorded by lenders on MGA's "Active Michigan School List" dated July 6, 2005. If you have any questions regarding these changes, please contact Stacy Cardwell at extension 36074 or via email at cardwells@michigan.gov.

New Branch

Davenport University, W.A. Lettinga, Grand Rapids, 002249-00

Located at 6191 Kraft Avenue, Grand Rapids, MI 49512. The contact person is Kara VanderPloeg, Financial Services Office. Kara's telephone number is 616-554-5340, and her fax number is 616-554-5214. Her email address is kara.vanderploeg@davenport.edu.

Contact Name Change

Davenport University, Career Center, Grand Rapids 002249-03

Anna English is the main contact for this branch. Anna's telephone number is 616-451-3511, extension 1139, and her fax number is 616-732-1144. Her email address is anna.english@davenport.edu.

"Q" AND "A"**PLUS Loan Certification and Additional Unsubsidized Stafford Loan Certification****Who qualifies for a PLUS loan?**

A school may certify a PLUS loan only if both the parent borrower and the student for whom the loan is being obtained meet all criteria outlined in Section 5 of the *Common Manual* (e.g., U.S. citizens or legal residents, enrolled at least half-time in an approved program, etc.). Additionally, the student must be dependent according to the Free Application for Federal Student Aid (FAFSA), and the parent must be either a birth or adoptive parent. Stepparents may be used if they are married to an adoptive or birth parent. Legal guardians or grandparents do not qualify for PLUS loans.

What is the loan limit for a PLUS loan?

The only loan limit on a parent PLUS loan is the dependent student's cost of attendance minus any other financial aid. A school is not required to perform need analysis for PLUS loans.

What if a student and parent refuse to fill out the FAFSA but still want a PLUS loan?

According to the *2005-2006 FSA Application and Verification Guide*, "To be considered for federal student aid, a student must complete a FAFSA **unless he is only applying for a PLUS loan**" (p. 3).

However, this does not preclude a school from ensuring that both the student and borrower meet all of the Title IV borrower eligibility requirements outlined in the *Common Manual*, Section 5. Schools may require a family seeking only a PLUS loan to submit and complete a FAFSA.

Note - many of those requirements will be verified through the credit check process but schools must ensure that records are kept internally to show that PLUS borrowers' meet all federal eligibility requirements.

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Does the parent listed on the FAFSA have to be the parent that fills out the PLUS loan application?

No, either parent may apply for a PLUS loan.

Who runs credit checks on PLUS borrowers?

It is the lender's responsibility to determine whether or not the parent has an adverse credit history. MGA does offer credit checks on all PLUS loan borrowers on behalf of the lender. Many lenders prefer to have guarantors run all of the credit checks on their behalf.

Can the borrower ever get a PLUS loan denial reversed?

Yes. A borrower may contact their lender or lender servicer to request an override on the guarantor's decision to deny the PLUS loan due to adverse credit.

I have a PLUS borrower who received a PLUS loan pre-approval from their lender only to have the guarantor deny the loan. Will the lender automatically override the guarantor's decision?

This is a lender-specific question. However, most lenders will not do an automatic override unless the borrower specifically requests it.

If the PLUS borrower wants a lender override, what is the turn-around time for the guarantee?

When MGA denies a PLUS loan due to adverse credit, a denial packet is sent to the lender within three to five business days. The lender may then fill out the necessary forms and return them to MGA requesting the override. Generally, most overrides are completed within five to ten business days.

The *Common Manual* states that we may award additional unsubsidized Stafford loan funds if a parent is denied due to "exceptional circumstances." I thought only credit denials warranted additional unsubsidized Stafford loan funds. Are there other reasons to award the additional unsubsidized loan amounts?

Yes. While federal regulations list adverse credit as one of the exceptional circumstances, there are others such as: parental incarceration, parental whereabouts unknown, or family income limited to public assistance or disability benefits that allow for additional unsubsidized Stafford loan funds to be awarded.

In all cases, a school should clearly document the "exceptional circumstance" that was used to award the student additional unsubsidized Stafford loan funds.

If the parents are divorced and one of the parents is denied a PLUS loan, does the other parent need to then apply before additional loan funds can be awarded?

No, only one parent needs to be unable to obtain a PLUS loan in order for the student to obtain additional loan funds.

What if the parent, by working with the lender, obtains a PLUS loan override after the school has awarded money to the student? Does the school need to honor the PLUS loan and return money on the additional loan funds if necessary?

If either parent subsequently is determined to be eligible for a PLUS loan after the school certifies the student for additional unsubsidized Stafford loan funds, the school must **only** return to the lender any loan funds **not** delivered to the student. In other words, the school is not responsible for recovering and returning Stafford loan funds for which the student was previously determined eligible and that have been released to the student. However, the school should cancel any future disbursements.

What if a parent receives a PLUS loan but is denied later in the academic year when trying to obtain additional PLUS loan funds. Can the school certify additional unsubsidized funds even though the student received some PLUS loan monies?

Yes. The school may choose to certify additional unsubsidized Stafford loan funds for the student **not to exceed** the maximum Stafford annual or aggregate loan amounts or the student's current cost of attendance.

Calendar of Upcoming Events

November

24-25 MGA Offices Closed

29-Dec. 2 U.S. Department of Education
Electronic Access Conference (EAC)
Atlanta, Georgia

December

13 Guaranty Agency Advisory Committee
Meeting
State Library and Museum
Lansing, Michigan

14 Mapping Your Future Evening Chat
Loan consolidation.
7:00 – 8:00 p.m. Eastern

23 MGA Offices Closed

26 MGA Offices Closed

30 MGA Offices Closed

January

2 MGA Offices Closed

16 MGA Offices Closed

17 Mapping Your Future Evening Chat
Financial aid and the FAFSA.
7:00 – 8:00 p.m. Eastern

29-Feb. 1 MSFAA Winter Conference
Kalamazoo, Michigan

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at extension 36944, or via email at petersonj@michigan.gov.